

MINUTES
SENATE LOCAL GOVERNMENT & TAXATION COMMITTEE

DATE: Wednesday, March 17, 2021

TIME: 3:00 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Rice, Vice Chairman Grow, Senators Vick, Souza, Bayer, Ricks, Nye, and Rabe

ABSENT/ EXCUSED: Senator Lakey

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Rice** called the meeting of the Local Government and Taxation Committee (Committee) to order at 3:00 p.m.

MINUTES APPROVAL: **Vice Chairman Grow** moved to approve the Minutes of March 4, 2021. **Senator Nye** seconded the motion. The motion carried by **voice vote**.

Vice Chairman Grow moved to approve the Minutes of March 9, 2021. **Senator Souza** seconded the motion. The motion carried by **voice vote**.

H 317 **Relating to Income Taxes; To Provide for the Treatment of State and Local Taxation Deductions for Affected Business Entities.** **Jason Kreizenbeck**, Ball Ventures LLC, informed the Committee that he would turn the presentation of **H 317** over to Brian Parkinson, also of Ball Ventures. **Mr. Parkinson** explained that, historically, state and local taxes (SALT) were deductible as an itemized deduction on a tax return. The Tax Cuts and Jobs Act (TCJA) of 2017 placed a \$10,000 limitation on SALT deductions. Small business owners were no longer able to deduct taxes as a result.

Mr. Parkinson explained that the Internal Revenue Service recognized the unintended consequences and, in November 2020, stated that small business owners could deduct taxes paid under state law. **H 317** will allow owners, partners, members, and shareholders of electing partnerships, LLCs and S corporations (PTEs) to deduct SALT paid at the PTE level rather than as an itemized deduction on their individual return.

Mr. Parkinson informed the Committee members **H 317** is taxpayer-friendly and revenue-neutral for Idaho, but will stimulate local economies. He explained that every federal tax dollar saved can be used for goods, services, and wages in Idaho.

Mr. Kreizenbeck requested the Committee refer to the handout he provided. The basic, practical function of **H 317** was explained in more detail with several examples in the handout. (See Attachment 1)

TESTIMONY: **Ken McClure**, Idaho Society of Certified Public Accountants, testified in support of **H 317**. He stated the original intent of the TCJA was to assist individuals, not businesses. **H 317** is good for smaller taxpayers, he said.

MOTION: **Vice Chairman Grow** moved to send **H 317** to the floor with a **do pass** recommendation. **Senator Ricks** seconded the motion. The motion carried by **voice vote**.

ADJOURNED: There being no further business at this time, **Chairman Rice** adjourned the meeting at 3:21 p.m.

Senator Rice
Chair

Machele Hamilton
Secretary